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**BEFORE THE PUBLIC UTILITIES COMMISSION OF THE
STATE OF CALIFORNIA**

| | | |
|---|---|--------------------------|
| Order Instituting Investigation on the |) | |
| Commission's Own Motion into the Rates, |) | |
| Operations, Practices, Services and Facilities of |) | |
| Southern California Edison Company and San |) | Investigation 12-10-013 |
| Diego Gas and Electric Company Associated |) | (Filed October 25, 2012) |
| with the San Onofre Nuclear Generating Station |) | |
| Units 2 and 3. |) | |
| <hr/> | | |
| And Related Matters. |) | Application 13-01-016 |
| |) | Application 13-03-005 |
| |) | Application 13-03-013 |
| |) | Application 13-03-014 |
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**JOINT NOTICE OF EX PARTE COMMUNICATION BY SOUTHERN CALIFORNIA
EDISON COMPANY (U 338-E), SAN DIEGO GAS & ELECTRIC COMPANY (U 902-E),
THE UTILITY REFORM NETWORK, THE OFFICE OF RATEPAYER ADVOCATES,
AND FRIENDS OF THE EARTH**

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Dated: **April 17, 2014**

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EDISON COMPANY (U 338-E), SAN DIEGO GAS & ELECTRIC COMPANY (U 902-E),
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AND FRIENDS OF THE EARTH**

Pursuant to Rule 8.4 of the California Public Utilities Commission's (Commission) Rules of Practice & Procedure (Rules), Southern California Edison Company (SCE) respectfully submits this Joint Notice of Ex Parte Communication (Notice) to provide information regarding the following ex parte meetings in connection with the proposed settlement agreement submitted in the above-referenced proceeding (OII). SCE is authorized to provide this Notice on behalf of San Diego Gas & Electric Company (SDG&E), The Utility Reform Network (TURN), the Office of Ratepayer Advocates (ORA), and Friends of the Earth (FOE) (collectively with SCE referred to in this notice as Parties). The meetings, which are detailed below, were a combination of oral and written communications.

The meetings were initiated by SCE and occurred at the Commission's headquarters in San Francisco, California, as follows:

1. Attendees, and Date, Time and Location of Meetings

(a) The first meeting took place at 10:00 a.m. on April 14, 2014, and lasted 45 minutes. The parties' representatives who attended this meeting were: 1) Henry Weissmann, Munger, Tolles & Olson, SCE Counsel; 2) Mike Hoover, Director of Regulatory Affairs, SCE; 3) Lee Schavrien, Senior Vice President, SDG&E; 4) James Walsh, Senior Attorney, SDG&E; 5) Matt Freedman, Staff Attorney, TURN; 6) Mark Pocta, ORA; 7) Gregory Heiden, Counsel, ORA; and 8) Larry Chaset, Counsel, Friends of the Earth.

The parties met with Carol Brown, Brian Stevens and Scott Murtishaw, Advisors to President Peevey.

(b) The second meeting took place at 3:00 p.m. on April 14, 2014, and lasted 30 minutes. The parties' representatives who attended this meeting were: 1) Henry Weissmann, Munger, Tolles & Olson, SCE Counsel; 2) Mike Hoover, Director of Regulatory Affairs, SCE; 3) Lee Schavrien, Senior Vice President, SDG&E; 4) James Walsh, Senior Attorney, SDG&E; 5) Matt Freedman, Staff Attorney, TURN; 6) Mark Pocta, ORA, and 7) Gregory Heiden, Counsel, ORA.

The parties met with Charlotte TerKeurst, Nicholas Chaset and Christine Hammond, Advisors to Commissioner Picker.

(c) The third meeting took place at 3:30 p.m. on April 14, 2014, and lasted 30 minutes. The parties' representatives who attended this meeting were: 1) Henry Weissmann, Munger, Tolles & Olson, SCE Counsel; 2) Mike Hoover, Director of Regulatory Affairs, SCE; 3) Lee Schavrien, Senior Vice President, SDG&E; 4) James Walsh, Senior Attorney, SDG&E; 5) Matt Freedman, Staff Attorney, TURN; 6) Mark Pocta, ORA; 7) Gregory Heiden, Counsel, ORA; and 8) Larry Chaset, Counsel, Friends of the Earth.

The parties met with Commissioner Florio; Sepideh Khosrowjah and Rachel Peterson, Advisors to Commissioner Florio; and Eric Greene, Energy Division.

(d) The fourth meeting took place at 4:00 p.m. on April 14, 2014, and lasted 30 minutes. The parties' representatives who attended this meeting were: 1) Mike Hoover, Director of Regulatory Affairs, SCE; 2) Lee Schavrien, Senior Vice President, SDG&E; 3) James Walsh, Senior Attorney, SDG&E; 4) Matt Freedman, Staff Attorney, TURN; 5) Mark Pocta, ORA; 6) Gregory Heiden, Counsel, ORA; 7) Larry Chaset, Counsel, Friends of the Earth.

The parties met with Julie Fitch and Melicia Charles, Advisors to Commissioner Peterman.

2. Description of Communications

The meetings were scheduled at SCE's request to discuss the proposed settlement of the OII. In each of the first three meetings, Mr. Weissmann summarized the proposed settlement. In the fourth meeting, Mr. Schavrien summarized the proposed settlement. In each meeting, the parties discussed the written materials attached to this Notice.

Respectfully submitted,

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RUSSELL A. ARCHER

/s/ Walker A. Matthews III

By: Walker A. Matthews III

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April 17, 2014

Attachment A

Written Materials

SUMMARY OF KEY TERMS OF SETTLEMENT AGREEMENT

The following summary of the Settlement Agreement is qualified in its entirety by reference to the complete text of the Settlement Agreement

Disallowances, Refunds, and Rate Recoveries

Steam Generators

- The utilities will not recover in rates the net investment associated with the steam generators as of February 1, 2012 (§ 4.2(d)), which is the first day following the tube leak in Unit 3. (§ 4.2(d).) These amounts (\$597 million for SCE and \$160.4 million for SDG&E) will not be recoverable in rates.
- The utilities will refund any capital-related revenue requirement associated with the steam generators collected after February 1, 2012. (§ 4.2(b).) The utilities keep all capital-related revenues for the steam generators collected prior to February 1, 2012. (§ 4.2(c).)

Base Plant

- The utilities will remove Base Plant from rate base as of February 1, 2012. (§ 4.3(a).) Base Plant will be recovered at a reduced rate of return over 10 years. The rate of return is calculated as each utility's authorized cost of debt plus 50% of each utility's authorized cost of preferred stock, weighted by the amount of debt and preferred stock in each utility's authorized ratemaking capital structure; return on equity is not considered. (§ 4.3(c).) Using this approach, the weighted average return for SCE base plant is 2.95% in 2012 and 2.62% in 2013 and 2014. For SDG&E, the return on base plant is 2.75% in 2012 and 2.35% in 2013 and 2014.
- The utilities are entitled to retain all capital-related revenues collected for Base Plant prior to February 1, 2012. (§ 4.3(a).) For periods after February 1, 2012, the utilities will refund to ratepayers all revenues for Base Plant that exceed the revenue the utilities are entitled to collect under the reduced rate of return and amortization period set forth in the settlement agreement. (§ 4.3(b)(ii).)
- Base Plant includes the net investment of all SONGS-related capital investments (including marine mitigation projects, nuclear design basis documentation, and deferred debits), but excludes the SGRP, nuclear fuel, and the materials and supplies inventory, which are addressed separately. (§ 2.6.)
- Each utility has the option to exclude the unamortized portion of its investment from its capital structure for purposes of determining regulatory capital requirements. (§ 4.4.)

Materials and Supplies

SUMMARY OF KEY TERMS OF SETTLEMENT AGREEMENT

The following summary of the Settlement Agreement is qualified in its entirety by reference to the complete text of the Settlement Agreement

- The settlement agreement allows the utilities rate recovery of their net investments in Materials and Supplies (“M&S”) over 10 years at the reduced rate of return provided for base plant. (§ 4.5(a).)
- To provide an incentive to sell M&S, the utilities will retain 5% of all sales of the M&S inventory. (§ 4.5(b).) The remaining 95% will be credited to ratepayers. (§ 4.5(b).)

Nuclear Fuel

- The settlement agreement also allows the utilities rate recovery of entire net investment in nuclear fuel (§ 4.6(a)), including those costs that the utilities incur in connection with efforts to cancel their outstanding obligations to purchase nuclear fuel. (§ 2.30.) Nuclear fuel costs are recovered over 10 years at a rate of return equal to commercial paper. (§ 4.6(b).)
- To provide an incentive to sell nuclear fuel, the utilities will retain 5% of net sale proceeds, while the ratepayers will be credited the remaining 95%. (§ 4.7(a).) Also, the utilities will retain 5% of the difference between outstanding contractual obligations to purchase nuclear fuel and the costs incurred to cancel these contracts. (§ 4.7(c)(i).)

Construction Work in Progress

- The settlement agreement allows the utilities to collect the balance of Construction Work in Progress (“CWIP”), except the portion of CWIP associated with the replacement steam generators. (§§ 4.8(a) & 3.37.)
- Prior to February 1, 2012, the CWIP balance accumulates the authorized Allowance for Funds Used During Construction (“AFUDC”) rate. After February 1, 2012, CWIP associated with projects that the utilities cancelled will stop earning AFUDC. (§ 4.8(a)(i)(A).) For projects the utilities did not cancel, the associated CWIP will earn AFUDC post February 1, 2012, at the same rate as the return on Base Plant. (§ 4.8(a)(ii)(A) & (a)(ii)(A)(2).)
- CWIP will be amortized over 10 years with the same return as Base Plant, except that the amortization period for CWIP associated with projects that the utilities have not cancelled will begin on the day the project enters service or the last day of the month of the Commission’s approval of the settlement, whichever is earlier. (§ 4.8(a)(i)(C)-(D) & (ii)(C)-(D).)

Operations and Maintenance Costs

SUMMARY OF KEY TERMS OF SETTLEMENT AGREEMENT

The following summary of the Settlement Agreement is qualified in its entirety by reference to the complete text of the Settlement Agreement

- For 2012, SCE will retain Operations and Maintenance (“O&M”) expenses provisionally authorized in SCE’s 2012 General Rate Case (the “GRC”). (§ 4.9(a).) The utilities may not recover the incremental steam generator inspection and repair (“SGIR”) costs that exceed the provisionally authorized revenue requirement for O&M in 2012. (§ 4.9(a)(ii).) These incremental costs are \$99 million for SCE. (§ 3.44.) For 2012, SDG&E will recover its recorded O&M expenses, resulting in a refund of approximately \$5.1 million. (§ 4.9(a)(iii).)
- For 2012 non-O&M expenses, the utilities will be permitted to retain the provisionally authorized revenue requirement, except that the utilities shall refund revenues that exceed recorded non-O&M expenses by more than \$10 million. (§ 4.9(b).)
- For 2013, the utilities will recover their recorded O&M, SONGS-related severance expenses, incremental steam generator inspection and repair costs, and non-O&M expenses, up to authorized. (§ 4.9(e) & (g).) The utilities will refund amounts that exceed these recorded costs. (§ 4.9(f).) 2014 costs are subject to future CPUC review (§ 4.9(h)), and the utilities will refund amounts collected in 2014 pursuant to provisionally authorized rates that exceed the utilities’ recorded costs in 2014. (§ 4.9(i).)
- To the extent the utilities recover costs from the Nuclear Decommissioning Trusts, the utilities will refund any rates collected that duplicate recoveries from the trusts. (*See, e.g.*, § 4.9(g) & (i).)

Replacement Power Costs

- The settlement agreement allows the utilities to recover all purchased power costs associated with replacing the output of SONGS from January 1, 2012, until the last day of the month of the Commission’s decision approving the settlement agreement. (§ 4.10(a).) The utilities are permitted to amortize these costs in rates by December 31, 2015. (§ 4.10(b).)

Provision of Refunds Associated with Previous Overcollections

- Refunds of revenues previously collected in rates will be effectuated via a reduction to each utility’s respective under-collected Erra balance. (§ 4.12.)

Third-Party Recoveries

- The utilities are seeking recovery from Mitsubishi Heavy Industries, Inc., and related entities (“MHI”) and from Nuclear Energy Insurance Limited (“NEIL”). (§§ 3.31-3.33.)

SUMMARY OF KEY TERMS OF SETTLEMENT AGREEMENT

The following summary of the Settlement Agreement is qualified in its entirety by reference to the complete text of the Settlement Agreement

The utilities will apply recoveries from MHI and NEIL first to recover the costs of pursuing recovery of those claims. (§ 4.11(a) & (b).) The remaining net proceeds are shared between ratepayers and the utilities. Net recoveries from NEIL are provided 82.5% to ratepayers and 17.5% retained by the utilities. (§ 4.11(c)(i).) Net recoveries from MHI are shared as follows. SCE shall retain 85% of the first \$100 million, 66.67% of the next \$800 million, and 25% of any further recoveries, and shall distribute the remainder to ratepayers. (§ 4.11(c)(ii)(A).) SDG&E shall retain 85% of the first \$25 million, 66.67% of the next \$200 million, and 25% of any further recoveries, and shall distribute the remainder to ratepayers (§ 4.11(c)(ii)(B).)

- Ratepayer share of litigation recoveries will be applied as follows: NEIL recoveries applied to reduce ERRAs; first two tranches of MHI recoveries applied as a credit to BRRBA/NGBA; last tranche of MHI recoveries applied to reduce regulatory assets and then as a credit to BRRBA/NGBA. (§ 4.11(d).)
- The utilities have discretion to resolve the NEIL and MHI disputes without CPUC approval or review (§ 4.11(f)), but the utilities will use their best efforts to inform the Commission of any settlement or other resolution of these disputes to the extent this is possible without compromising any aspect of the resolution. (§ 4.11(g).)

Procedure

- The terms and conditions are not binding unless and until the Commission issues a decision approving the agreement. (§ 5.13.) Settling parties will use best efforts to obtain CPUC approval without modification. (§ 5.1(a)(i).) If CPUC does not approve settlement within six months, settling parties may terminate. (Introduction).
- After the Commission approves the settlement agreement, the utilities are required to file revised tariff sheets and Tier 2 Advice Letters to implement the rate changes provided under the settlement agreement. (§§ 6.1 & 6.2.)

PRELIMINARY AND APPROXIMATE

\$ Millions

| | SCE | | | |
|--|--------------------|-------------------|-----------------|-------------------|
| | TURN Litigation | ORA Litigation | Settlement | SCE Litigation |
| PVRR @ 10.00% | \$ 2,061 | \$ 1,923 | \$ 2,571 | \$ 3,693 |
| Components: | | | | |
| RSG | - | 86 | - | 696 |
| Base Plant | 900 | 708 | 1,115 | 1,416 |
| O&M | 659 | 627 | 673 | 773 |
| Nuclear Fuel | 419 | 419 | 394 | 419 |
| Replacement Power ¹ | 83 | 83 | 389 | 389 |
| Return (% 2013) | | | | |
| RSG | 0.00% | 0.00% | 0.00% | 5.54% |
| Debt | 0.00% | 0.00% | 0.00% | 5.49% |
| Preferred | 0.00% | 0.00% | 0.00% | 5.79% |
| Equity | 0.00% | 0.00% | 0.00% | 5.54% |
| Base Plant - Required^{2,3,4} | 0.00% | 0.00% | 2.62% | 7.90% |
| Debt | 0.00% | 0.00% | 5.49% | 5.49% |
| Preferred | 0.00% | 0.00% | 2.90% | 5.79% |
| Equity | 0.00% | 0.00% | 0.00% | 10.45% |
| Base Plant - Not Required⁴ | 0.00% | 0.00% | n/a | 5.54% |
| Debt | 0.00% | 0.00% | n/a | 5.49% |
| Preferred | 0.00% | 0.00% | n/a | 5.79% |
| Equity | 0.00% | 0.00% | n/a | 5.54% |

1. Does not include forgone sales

2. In Settlement Agreement, Non-RSG plant is not distinguished as "required" or "not-required" as defined in the SCE litigation position.

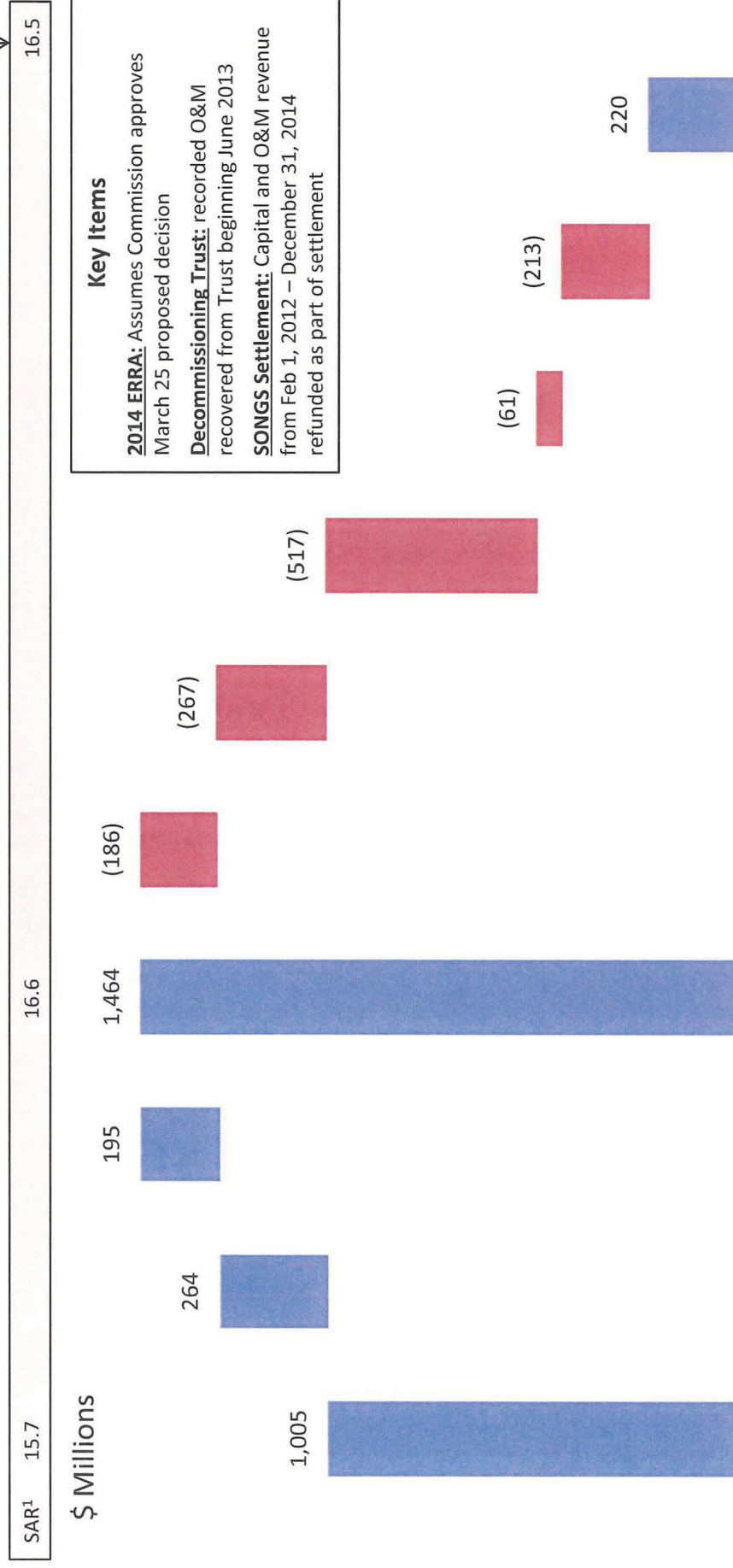
As such, Base Plant, CWIP, and M&S earns the rate of return shown in the table

3. In SCE litigation position, higher return on required plant only applicable through 2017. Thereafter, rate of return on "not-required" plant applies.

4. Base Plant includes CWIP and M&S

Forecasted ERRA Recovery - SCE¹

Jan 2015



ERRA 2013 End of Year Jan - April 2014 May 2014 due to ERRA delay May 31, 2014 ERRA Decom. Trust (June '13 - May '14) SONGS Settlement - May 31, 2014 Refund June - Dec 2014 ERRA Decom. Trust (June '14 - Dec '14) Refund ERRA 2014 End of Year

1. Assumes June 1, 2014 Effective Date
 2. SAR = System Average Rate
- Note: Settlement refunds include nuclear fuel amortization

PRELIMINARY AND APPROXIMATE

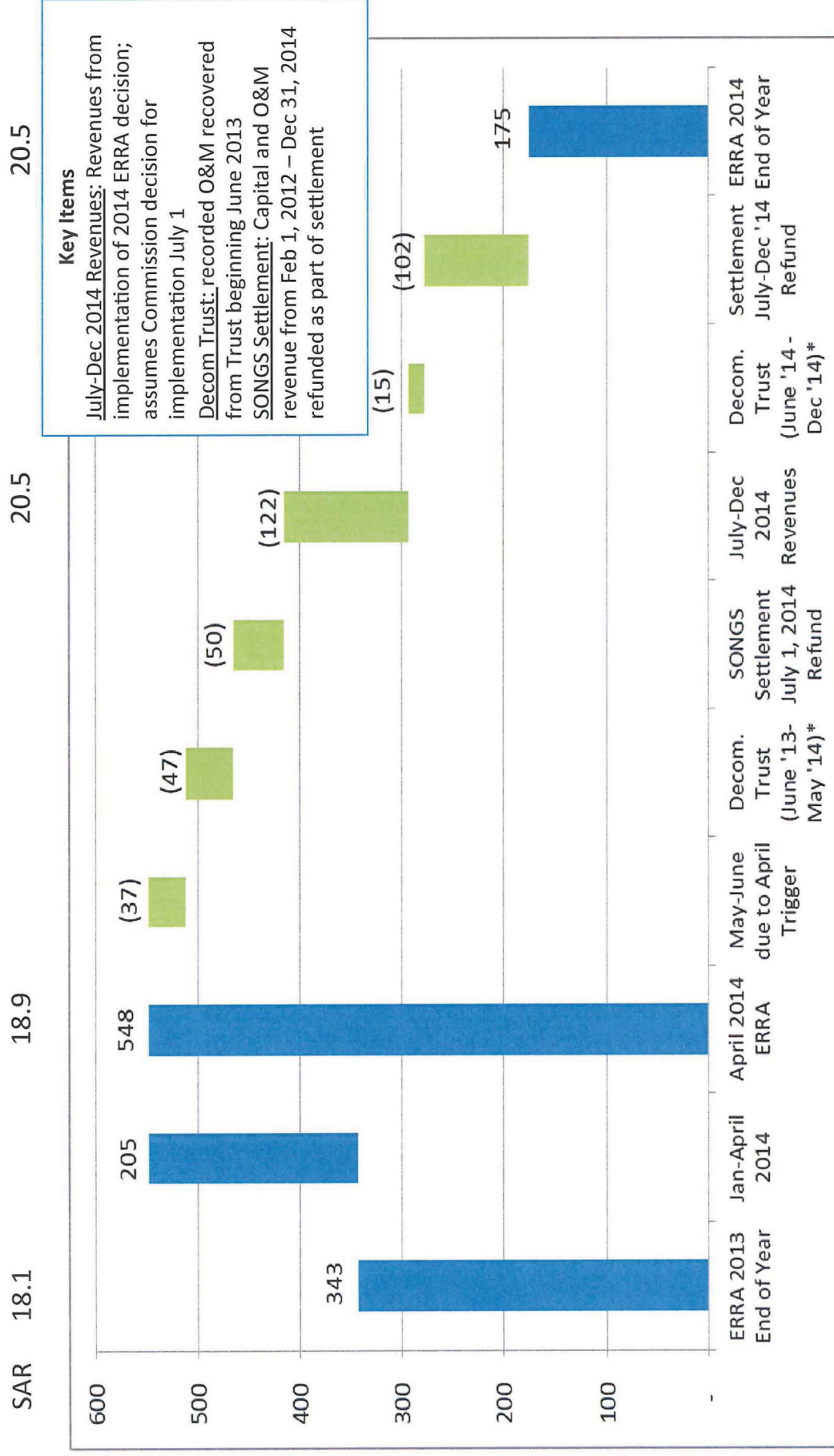
PRELIMINARY AND APPROXIMATE

All figures shown as 1,000,000.0 USD

| | SDG&E | | | |
|--|--------------------|-------------------|------------|---------------------|
| | TURN Litigation | ORA Litigation | Settlement | SDG&E Litigation |
| PVRR @ 10.00% | 613.5 | 597.2 | 727.6 | 1,015.2 |
| Components: | | | | |
| RSG ⁵ | - | 14.9 | - | 221.7 |
| Base Plant | 209.3 | 178.2 | 244.5 | 297.8 |
| O&M | 241.5 | 241.5 | 266.6 | 266.6 |
| Nuclear Fuel | 101.0 | 100.9 | 88.3 | 100.9 |
| Replacement Power ¹ | 61.7 | 61.7 | 128.2 | 128.2 |
| Return (% 2013) | | | | |
| RSG | 0.00% | 0.00% | 0.00% | 5.07% |
| Debt | 0.00% | 0.00% | 0.00% | 5.00% |
| Preferred | 0.00% | 0.00% | 0.00% | 6.22% |
| Equity | 0.00% | 0.00% | 0.00% | 5.07% |
| Base Plant - Required^{2,3,4} | | | | |
| Debt | 0.00% | 0.00% | 2.35% | 7.79% |
| Preferred | 0.00% | 0.00% | 5.00% | 5.00% |
| Equity | 0.00% | 0.00% | 3.11% | 6.22% |
| | | | 0.00% | 10.30% |
| Base Plant - Not Required^{2,4} | | | | |
| Debt | 0.00% | 0.00% | N/A | 5.07% |
| Preferred | 0.00% | 0.00% | N/A | 5.00% |
| Equity | 0.00% | 0.00% | N/A | 6.22% |
| | | | N/A | 5.07% |

1. Does not include foregone sales.
2. In Settlement Agreement, Non-RSG plant is not distinguished as "required" or "not-required" as defined in the SDG&E litigation position. As such, Base Plant, CWIP, and M&S earns the rate of return shown in the table.
3. In SDG&E litigation position, higher return on required plant only applicable through 2017. Thereafter, rate of return on "not-required" plant applies.
4. Base Plant includes CWIP and M&S.
5. RSG revenue requirement shown at nominal value for ORA and TURN Litigation and Settlement.

SDG&E Forecasted ERRA Recovery¹



Notes:

- Reflects NGBA Offsets
 - SAR = System Average Rate in cents/kWh
- Note: Settlement refunds include nuclear fuel amortization
*Estimated based on SCE numbers